

NOTE 14 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority (MSHDA) utilize June 30 fiscal year-ends. The Farm Produce Insurance Authority utilizes a December 31 fiscal year-end, and the remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

<u>Fiscal Years Ending In</u>	<u>Principal</u>	<u>Fixed Interest</u>	<u>Estimated Interest</u>	<u>Total</u>
2009	\$ 375.7	\$ 525.8	\$ 4.0	\$ 905.5
2010	381.5	512.6	4.1	898.3
2011	318.6	495.9	3.9	818.5
2012	332.8	482.4	3.7	819.0
2013	342.3	467.3	3.5	813.2
	<u>1,751.1</u>	<u>2,484.0</u>	<u>19.3</u>	<u>4,254.4</u>
2014-2018	1,935.8	2,032.1	13.8	3,981.7
2019-2023	1,668.3	1,517.1	8.2	3,193.5
2024-2028	1,163.7	1,186.1	4.2	2,354.1
2029-2033	1,041.9	909.4	1.4	1,952.7
2034-2038	829.4	717.0	-	1,546.4
2039-2043	1,275.6	157.0	-	1,432.6
	<u>7,914.7</u>	<u>6,518.7</u>	<u>27.6</u>	<u>14,461.0</u>
Total	<u>9,665.8</u>	<u>\$ 9,002.8</u>	<u>\$ 46.9</u>	<u>\$ 18,715.4</u>
Deferred amount on refunding	(78.1)			
Unamortized discount	(.1)			
Unamortized premium	130.7			
Total principal	<u>\$ 9,718.3</u>			

Included in the table above is \$1.7 billion of demand bonds comprised of \$56.4 million issued by the Michigan Higher Education Student Loan Authority (MHESLA), \$1.4 billion issued by MSHDA, and \$233.3 million issued by the State universities. Defeased bonds outstanding of the Michigan Municipal Bond Authority (MMBA), MHESLA, and MSHDA are not reflected in the table above.

Notes Payable

The MMBA has short-term notes outstanding of \$688.4 million as of September 30, 2008.

The Land Bank Fast Track Authority (LBFTA) has long-term notes outstanding of \$.1 million as of September 30, 2008. State universities have short-term notes outstanding of \$.8 million and long-term notes outstanding of \$17.6 million as of June 30, 2008.

Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2008, MHEFA had bonds outstanding of \$649.6 million. Of this amount, \$31.3 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$618.3 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (taxable and tax exempt), which are not recorded as liabilities. The total amount of bonds issued for the period January 1, 1979 through September 30, 2008, was \$8.3 billion. The amount of tax exempt bonds issued during the fiscal year 2008 was \$104.6 million. There were \$2.4 million bonds

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issued by MSF under the Taxable Bond Program for fiscal year 2008. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$6.5 billion of no commitment bonds as of September 30, 2008. Of the above amount, \$1.2 billion have been defeased in substance, leaving a remaining undefeased balance of \$5.3 billion. Economic gains and accounting gains and losses resulting from in-substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in MSHFA's financial statements.

MSHDA has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2008, limited obligation bonds had been issued totaling \$787.3 million, of which 25 issues totaling \$292.6 million had been retired.

MSHDA entered into several interest rate exchange agreements for a total of \$1.3 billion as of June 30, 2008, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.5% to 7.7%.

The Michigan Public Educational Facilities Authority (MPEFA) issues limited obligation bonds to finance loans to qualified public educational facilities for capital improvements. As of September 30, 2008, MPEFA had bonds outstanding of \$127.8 million, all of which are undefeased.

Short-Term Debt Activity

Western Michigan University (WMU) used its revolving line of credit to finance a new student information system. Activity on the line of credit during WMU's fiscal year ended June 30, 2008, was as follows (in millions):

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Payments</u>	<u>Ending Balance</u>
Line of Credit	\$6.8	\$ -	\$6.8	\$ -